

54:18A-1

LEGISLATIVE HISTORY CHECKLIST

**NJSA:** 54:18A-1 (Insurance premium tax-- installments-- modify dates and amounts for foreign companies)

**LAWS OF:** 1989 **CHAPTER:** 81

**BILL NO:** S3428

**SPONSOR(S):** Dorsey

**Date Introduced:** April 17, 1989

**Committee:** **Assembly:** Appropriations  
**Senate:** Revenue, Finance and Appropriations

**Amended during passage:** No

**Date of Passage:** **Assembly:** May 18, 1989  
**Senate:** May 1, 1989

**Date of Approval:** May 23, 1989

**Following statements are attached if available:**

**Sponsor statement:** Yes

**Committee statement:** **Assembly** Yes  
**Senate** Yes

**Fiscal Note:** No

**Veto Message:** No

**Message on Signing:** No

**Following were printed:**

**Reports:** No

**Hearings:** No

RDV

1 **AN ACT** concerning certain tax installment payments of foreign  
insurance companies under the insurance premiums tax,  
3 amending P.L.1945, c.132.

5 **BE IT ENACTED** by the Senate and General Assembly of the  
State of New Jersey:

7 1. Section 1 of P.L.1945, c.132 (C.54:18A-1) is amended to  
read as follows:

9 1. (a) Every stock, mutual and assessment insurance company  
organized or existing under any general or special law of this  
11 State, hereinafter referred to as "domestic insurance company,"  
and every stock, mutual and assessment insurance company  
13 organized or existing under the laws of another state or foreign  
country, hereinafter referred to as "foreign insurance company,"  
15 and transacting business in this State shall annually on or before  
March 1, file with the Director of the Division of Taxation, in the  
17 form as the director and the Commissioner of Insurance may  
prescribe, a return under oath or affirmation signed by a duly  
19 authorized officer or agent of the company, containing such  
information as may be deemed necessary and shall at the same  
21 time pay to the director an annual tax, in each calendar year, in  
the amount specified in sections 2 and 3 of [the act to which this  
23 act is amendatory] P.L.1945, c.132 (C.54:18A-2 and 3). At the  
same time, a duplicate original of the return shall be filed with  
25 the Commissioner of Insurance. The tax shall be based on net  
premiums on contracts of insurance covering property and risks  
27 located within this State written during the calendar year ending  
December 31 next preceding.

29 (b) Effective for calendar years ending on December 31, 1980  
and thereafter, every foreign insurance company subject to the  
31 provisions of subsection (a) of this section, shall pay to the  
Director of the Division of Taxation on or before March 1, 1981,  
33 and on or before March 1 of each year thereafter an amount  
equal to one-half of the tax payable under subsection (a) hereof

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the  
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 on the company's business done during the preceding calendar  
year. Every foreign insurance company subject to the provisions  
3 of subsection (a) of this section, shall pay to the Director of the  
Division of Taxation on or before [October 1, 1981] June 1, 1989,  
5 and on or before [October 1] June 1 of each year thereafter an  
amount equal to [one-fourth] one-half of the tax payable under  
7 subsection (a) hereof on the company's business done during the  
preceding calendar year. Each such payment shall be in addition  
9 to the tax payable under subsection (a) hereof and shall be  
considered as a partial payment of the tax which will become due  
11 under subsection (a) hereof, upon the following March 1.

(c) Effective for calendar years ending on December 31, 1981  
13 and thereafter, every domestic insurance company shall:

(1) On March 1, 1982, pay the tax due under subsection (a) of  
15 this section based on the company's business done during the  
calendar year 1981 less any franchise tax paid to counties or  
17 municipalities in this State during the calendar year 1981.

(2) On March 1, 1982 make an installment payment of taxes  
19 due under subsection (a) of this section on the company's business  
done during the calendar year 1982, which payment shall amount  
21 to one-half of the prior year's premium tax without deduction  
for any franchise tax paid to counties or municipalities of this  
23 State.

(3) On June 1, 1982 and each June 1 thereafter, make a second  
25 installment payment on taxes due under subsection (a) of this  
section on the company's business done during the current  
27 calendar year, which payment shall amount to one-half of the  
prior year's premium tax without a deduction for any franchise  
29 tax paid to counties or municipalities of this State.

(4) On March 1, 1983 and each March 1 thereafter, pay the  
31 balance of any tax due under subsection (a) of this section based  
on the company's business during the preceding calendar year and  
33 make an installment payment in an amount equal to one-half of  
the tax payable under subsection (a) of this section on the  
35 company's business done during the preceding calendar year.

(d) Nothing in this section requiring a partial payment of tax  
37 shall be deemed to apply to premiums for fire insurance risks on  
properties in this State paid to an insurer which is not organized  
39 under the laws of this State or to premiums for marine insurance  
risks.

1 (e) In the calculation of the tax due in accordance with  
2 subsection (a) hereof, every insurance company shall be entitled  
3 to a credit in the amount of the tax paid as a partial payment in  
4 the preceding calendar year and shall be entitled to the return of  
5 any amount so paid which shall be found to be in excess of the  
6 total amount payable in accordance with this section.

7 (f) If the franchise tax paid to counties and municipalities of  
8 this State during the calendar year 1981 exceeds the amount of  
9 the tax due under subsection (a) of this section, no refund or  
10 credit shall be allowed.

11 (cf: P.L.1981, c.247, s.1)

12 2. This act shall take effect immediately.

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#### 15 STATEMENT

16  
17 This bill amends the installment payment requirement for  
18 foreign insurance companies under the insurance premiums tax.  
19 Under present law, foreign insurers are required to make a 50%  
20 installment payment on or before March 1 of each year and a 25%  
21 installment payment on or before October 1 of each year. This  
22 bill advances the October 1 installment date to June 1,  
23 commencing June 1, 1989, and requires that a 50% installment  
24 payment be made at that time and on or before June 1 of each  
25 year thereafter. This follows the procedure which has been in  
26 effect for domestic insurance companies.

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#### 29 TAXATION

##### Insurance

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31 Modifies date and amount of installment payments of foreign  
32 insurance companies under the insurance premiums tax to  
33 conform with tax installment payments of domestic insurance  
34 companies.  
35

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ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 3428

STATE OF NEW JERSEY

DATED: MAY 15, 1989

The Assembly Appropriations Committee reports favorably Senate Bill No. 3428.

Senate Bill No. 3428 amends the installment payment requirement for foreign insurance companies under the insurance premiums tax to conform it to the requirement which has been in effect for domestic insurance companies. Under present law, foreign insurers are required to make two prepayments of the tax which will be due in the following year: one on March 1, equal to 50% of the tax liability for the current year, and one on October 1, equal to 25% of the tax liability for the current year. This bill changes the date of the second prepayment from October 1 to June 1, and increases the amount of the prepayment from 25% of the current year's liability to 50%.

This bill is identical to Assembly Bill No. 3764.

FISCAL IMPACT

The bill adjusts the prepayment schedule for the insurance premiums tax so that the second prepayment of the tax will now occur in an earlier fiscal year. This adjustment does not raise the tax rate or base and, therefore, does not generate new revenue.

The Governor's FY 1990 budget recommendation included a \$77,000,000 estimate of additional insurance premiums tax revenue for FY 1989 in anticipation of the adjustment provided for in this bill. The Office of Legislative Services had concurred in this estimate.

Based on the Administration's latest report of tax collections through April 1989, it appears that overall revenues for the insurance premiums taxes for FY 1989 will be lower than anticipated. The tax collection data suggest that the adjustment provided for in this bill may generate closer to \$67,000,000 as estimated by the Division of Taxation and the Office of Legislative Services.

SENATE REVENUE, FINANCE AND APPROPRIATIONS  
COMMITTEE

STATEMENT TO

SENATE, No. 3428

STATE OF NEW JERSEY

DATED: APRIL 17, 1989

The Senate Revenue, Finance and Appropriations Committee reported Senate Bill No. 3428 favorably.

Senate Bill No. 3428 amends the installment payment requirement for foreign insurance companies under the insurance premiums tax to conform it to the requirement which has been in effect for domestic insurance companies. Under present law, foreign insurers are required to make two prepayments of the tax which will be due in the following year: one on March 1, equal to 50% of the tax liability for the current year, and one on October 1, equal to 25% of the tax liability for the current year. This bill changes the date of the second prepayment from October 1 to June 1, and increases the amount of the prepayment from 25% of the current year's liability to 50%.

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The Governor's FY 1990 budget recommendation included a \$77,000,000 estimate of additional insurance premiums tax revenue for FY 1989 in anticipation of the adjustment provided for in this bill. The Office of Legislative Services concurred in this estimate.

Based on the Administration's report of tax collections through March 1989, it appears that overall revenues for the insurance premiums taxes for FY 1989 will be lower than anticipated. The tax collection data suggest that the adjustment provided for in this bill may generate closer to \$70,000,000 (the Division of Taxation estimates \$68,000,000). However, neither the Administration nor the Office of Legislative Services have prepared formal revisions of revenue estimates to date.